



President's Message - January 2015

May I start this first monthly newsletter of 2015 by wishing all of you a very Happy New Year. I hope you all enjoyed a break over the Christmas period and were able to spend time with family and friends. If you are thinking of making any New Year resolutions, can I suggest you resolve to attend as many IPTI events as you can in 2015!

Anyway, as is traditional at this time of the year, let's have a quick review of IPTI's 2014. We started the year in a very cold New Orleans where we held our annual property tax workshop in partnership with the Council on State Taxation (COST) in January. That was followed in February by another course we ran in Toronto in partnership with Osgoode Hall Law School on the subject of expert report writing; this was Module 1 of a two-module course. Then out to Grand Cayman where we ran a seminar on the theory and practice of the income approach and sales analysis.

In March we delivered Module 2 of the Osgoode Hall course which went really well, although we modified the course slightly when we held another one in August. Also in March we made a presentation at a major World Bank conference in Washington where we outlined how property tax can support important initiatives in developing countries around the world. In April we held our first rating seminar in London in partnership with Landmark Chambers which was very successful. As an aside, I should add that David Holgate QC, who chaired that event, was subsequently made a High Court Judge and kindly invited Jerry Grad and me to his swearing-in ceremony in the Royal Courts of Justice in London. We delivered an introductory course in regression and spatial analysis used in mass appraisal in Florida. On the subject of spatial analysis, we also published a book titled "Improving Mass Appraisal Valuation Models Using Spatio-Temporal Methods" written by Richard A. Borst, PhD. Also in April we held two valuation workshops in Alberta in partnership with the Alberta Assessors Association, one on the subject of sales comparison and the analysis of sales data, and the other on land valuation.

In May we held a meeting of our European Corporate Advisory Committee (ECAC) in Amsterdam at which we had a number of speakers talking about the property tax system in Holland and we also had a speaker from the OECD in Paris who provided some very interesting perspectives on the issue. In fact colleagues in Amsterdam were so pleased with the meeting that they invited us to hold our 2015 Mass Appraisal Valuation Symposium (MAVS) there, which we have agreed to do. In June our major event was the 2014 MAVS held in Calgary, Alberta which proved to be very successful. Also in June we held another in the series of seminars we have run over the last three years on property taxation in Ontario. This seminar was held at Niagara Falls and reviewed the progress made with improvements in the property tax system along with outstanding challenges.



July was spent mostly on project work which involved writing some substantial reports for various clients and in August we delivered another expert report writing course in partnership with Osgoode Hall Law School in Toronto. In August we also held a workshop in connection with the Commonwealth Heads of Valuation Agencies (CHOVA) and participated in the main CHOVA conference which was held in Toronto and hosted by MPAC.

September was another month where we were focused on project work for various clients and the publication of the COST-IPTI International Scorecard on property tax systems in various countries which proved to be very popular. If any of you have not yet had chance to look at the Scorecard, you will find it on our website (www.ipti.org). Also in September I took part in an event in London held at the headquarters of the Royal Institution of Chartered Surveyors (RICS) which considered the issues surrounding land value taxation; this proved very interesting, although the concept does not appear to have gained much political traction in the UK.

October was another busy month as we were involved in providing independent facilitation of a number of consultation meetings in Ontario between MPAC and taxpayers owning large, special purpose, industrial properties in the province. Other stakeholders were also involved in these meetings which proved to be both positive and productive and we will be participating in the next round of consultation meetings with these property taxpayers to be held early in 2015. In October we also held our annual Caribbean conference in Barbados in partnership with RICS Americas which was a very well-attended and successful event. We also partnered with the Society of Professional Assessors who held their 50th Anniversary Conference in Rhode Island, USA in April.

Moving on to November and our main event was a local government conference held in Sydney, Australia which proved to be very popular. On my way to Australia, I spent a few days in Singapore where I met officials from the Property Tax Division of the Inland Revenue Authority of Singapore (IRAS) and made a presentation to their staff. Finally, on to December where we held another meeting of the ECAC in London at which we had the benefit of a UK government official speaking about the latest on business rates (property taxes relating to commercial properties), which was very topical. We also delivered some training in Edmonton, Alberta on the subject of valuing contaminated land for property tax purposes. We also spent a fair amount of time in December progressing a number of projects, so it was a very busy month.

In addition to all the above activities, throughout the year we ran a series of workshops in partnership with the Institute of Municipal Assessors (IMA) covering such topics as the valuation of leisure properties, assessment appeal preparations, the cost approach and depreciation analysis, property tax policy, mass appraisal - theory and practice, valuation of land, and other subjects. In addition to the events I have already mentioned, we also



participated as speakers in a number of professional conferences run by other organizations in various countries throughout the year.

So 2014 was a busy year for IPTI and 2015 looks as if it will be just as busy. The main events we have coming up include a property tax conference in Dallas (in partnership with COST) in January; a meeting in Toronto on land value capture in February; our annual conference in Brazil in March; another Landmark-IPTI seminar in London in April; our MAVS in Amsterdam in June; and another Caribbean conference in November. We will also be involved in delivering a series of training course in Saudi Arabia in March, April and May, so the 2015 diary is rapidly filling up!

As always, please visit our website to find the latest on forthcoming events and, as I said in my introduction, I hope you are able to join us at some point in the year.

Now a quick look around the world at property tax stories making the headlines. Starting in Malta where an economics professor from the local university is advocating the introduction of property tax in the country. He acknowledges that it would not be popular, but he maintains it should be introduced anyway. Among his arguments he states, *"property taxes are the most effective (even if unpopular) way of reducing the rampant levels of inequality within Maltese society."* He goes on to say that *"The last National Census showed there is far too much long-unoccupied and long-unutilized property in Malta and Gozo"* and he argues that property tax may help to deal with this issue. I wish him luck with his endeavours!

Moving on to the USA, and interesting decision from the Iowa Supreme Court which held that companies which provide Internet-based phone services must be taxed the same as traditional telephone companies. Voice over Internet Protocol providers operate "telephone lines" even though their calls are initially transmitted through broadband networks, the court ruled. The ruling means they are subject to annual state property tax assessments on telephone companies, which are calculated based on the size of their service networks.

The World Bank has told Croatia that the nation's tax take could be boosted by modernizing the country's property taxes, reducing tax exemptions, and improving compliance levels. The World Bank said that a modern value-based property tax in Croatia could add up to 1.5 percent of gross domestic product (GDP) in new tax revenues. Croatia is preparing to introduce a new 1.5 percent ad valorem property tax from 2016, but the World Bank has warned that further reforms are needed to ensure efficient collection. It said the property tax base is currently eroded by exemptions and an incomplete property registry, which makes property valuation challenging. Property tax in Croatia accounts for about 0.3 percent of gross domestic product, against an average of



1.8 percent for Organisation for Economic Cooperation and Development (OECD) countries.

Reports suggest that China is likely to introduce a nationwide property tax as early as next year following trial runs of using a different tax model in Chongqing and Shanghai. Property taxes have been levied on home owners on a trial basis in Shanghai and Chongqing since 2011. Although the Chinese government had originally planned to include Hangzhou, Guangzhou and Shenzhen in the pilot tax model, it later decided to suspend the plan. Instead, the government pushed for legislation to introduce a new nationwide property tax law. Unlike the trials in Chongqing and Shanghai where the property tax was levied on houses only, the planned national property tax will target land as well as houses. The legislative process will commence in 2015, and if the wording is completed by 2016, it will officially come into effect in 2017.

A new study conducted by Canada's University of Guelph has concluded that wind turbine developments have no effect on property values of nearby homes and farms. The study, published in a recent issue of the Canadian Journal of Agricultural Economics, analyzed more than 7,000 home and farm sales in townships in four Ontario counties, one of which is home to 133 wind turbines erected between 2005 and 2008. The study included sales data over an eight-year period from 2002 to 2010 to determine property values before, during and after the wind farm's development. According to the study, more than 1,000 homes and farms were resold, some multiple times, which allowed for repeat sales analysis. In the United States, the debate over property values being impacted by wind farms has been going on for years. Earlier this year, a study of Massachusetts properties near wind farms was conducted by the US Department of Energy and the University of Connecticut, and it determined there were "no net effects due to the arrival of turbines in the sample's communities" and "no unique impact on the rate of home sales near wind turbines." However, a 2012 study by Land Economics of 11,331 property transactions over nine years in northern New York State found a considerable decline in property values in two of the three counties studied. The issue is also divisive in the UK where, earlier this year, a study by the London School of Economics found that values of British homes within 1.2 miles of large wind farms were negatively impacted by approximately 11 percent. But another study by the Center for Economics and Business Research released shortly afterward found that wind turbines did not damage British residential property values. The debate will no doubt continue!

In Trinidad, the Minister of Land and Marine Resources recently said that land taxes will be back, but based on fair evaluations computed by a modernized state-of-the-art technological system. He said the system will allow the Commissioner of Evaluations to look directly at the images of land from a computerized system. The Minister went on to say that the images will allow staff to focus on the particular parcel of land and determine what type of structure is constructed on it. He said "*So when they are doing evaluations*



of land, they can value based on the perimeter and not on the individual because sometimes persons themselves upgrade the land and improve the quality of the land and they take that into consideration and put a higher value on the land when the value of the land should be based on a perimeter basis and a zone basis, as opposed to the individual basis.” Property tax has not been collected in Trinidad since January 2010.

An interesting report in the UK states that government claims businesses are 'divided' on the reform of business rates and therefore the overhaul of this property tax on non-residential properties has been thrown into doubt. An interim report by the UK Treasury and the Department for Communities and Local Government into the administration of business rates claimed there was “no clear consensus” on whether properties should be revalued more often than they are now. More regular revaluations of property has been a key demand from businesses desperate to reform the tax. One business rates expert said he was “staggered” by the Government’s conclusion. Just to add some spice to this debate, Britons pay the highest property taxes in the developed world, according to analysis by the Organisation for Economic Co-operation and Development. The OECD’s annual analysis of tax in top economies showed that while UK’s total tax burden as a percentage of gross domestic product fell to 32.9pc in 2013, from 33pc in 2012, property taxes continued to rise both as a share of national output and Britain’s total tax take. Taxes on commercial and residential property - including council tax, inheritance tax and business rates - were worth 3.9pc of GDP in 2012, the latest year for which data are available. By comparison, property taxes account for 3.8pc in France, 2.9pc in the US and just 0.9pc of GDP in Germany. Taxes on homes and commercial buildings now account for 11.9pc of Britain’s total tax burden, up by 0.3 percentage points compared with 2011.

And finally, a somewhat “smelly” story from India. Apparently, Ramagundam Municipal Corporation (RMC) workers resorted to a rather unusual tactic to deal with a house-owner's failure to pay property tax for the past four years. They parked vehicles laden with garbage outside the residence of the defaulter who owes money to the civic body. The RMC sanitary staff even threatened to unload the stinking waste in front of his house if he failed to pay the tax. The RMC revenue inspector said the civic body had served several notices on the defaulter asking him to clear the tax arrears, but the latter did not respond. It seems that the defaulter was persuaded to pay some of the arrears immediately and the remainder by instalments! This may have to go onto the list of effective property tax enforcement techniques!

Paul Sanderson
President
International Property Tax Institute